

On the Move

1996
Annual Report
of the United States Postal Service

*... the swift
completion
of their
appointed
rounds.*



Today's Mission

In 1996, the United States Postal Service handled more than 182 billion pieces of mail. That's 603 million pieces a day delivered six days a week to 128 million American homes and businesses, which represents 43 percent of the world's total mail volume.



USPS Eagle Team, 100th running of the Boston Marathon

Tomorrow's Challenge

"The Postal Service is in a race for tomorrow against the toughest, most agile competition in its history. It is a race where it is not enough to be considered good and not enough to be considered acceptable. Our customers expect more from us than that. To compete in today's world, we must position ourselves to win. And that is our mark of success."

Marvin Runyon
Postmaster General
and Chief Executive Officer

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On the cover

Arlington, VA, Letter Carrier Frederick McAfee may not be a star athlete, but he knows "the swift completion of his appointed rounds" helps the Postal Service in its race for service excellence.

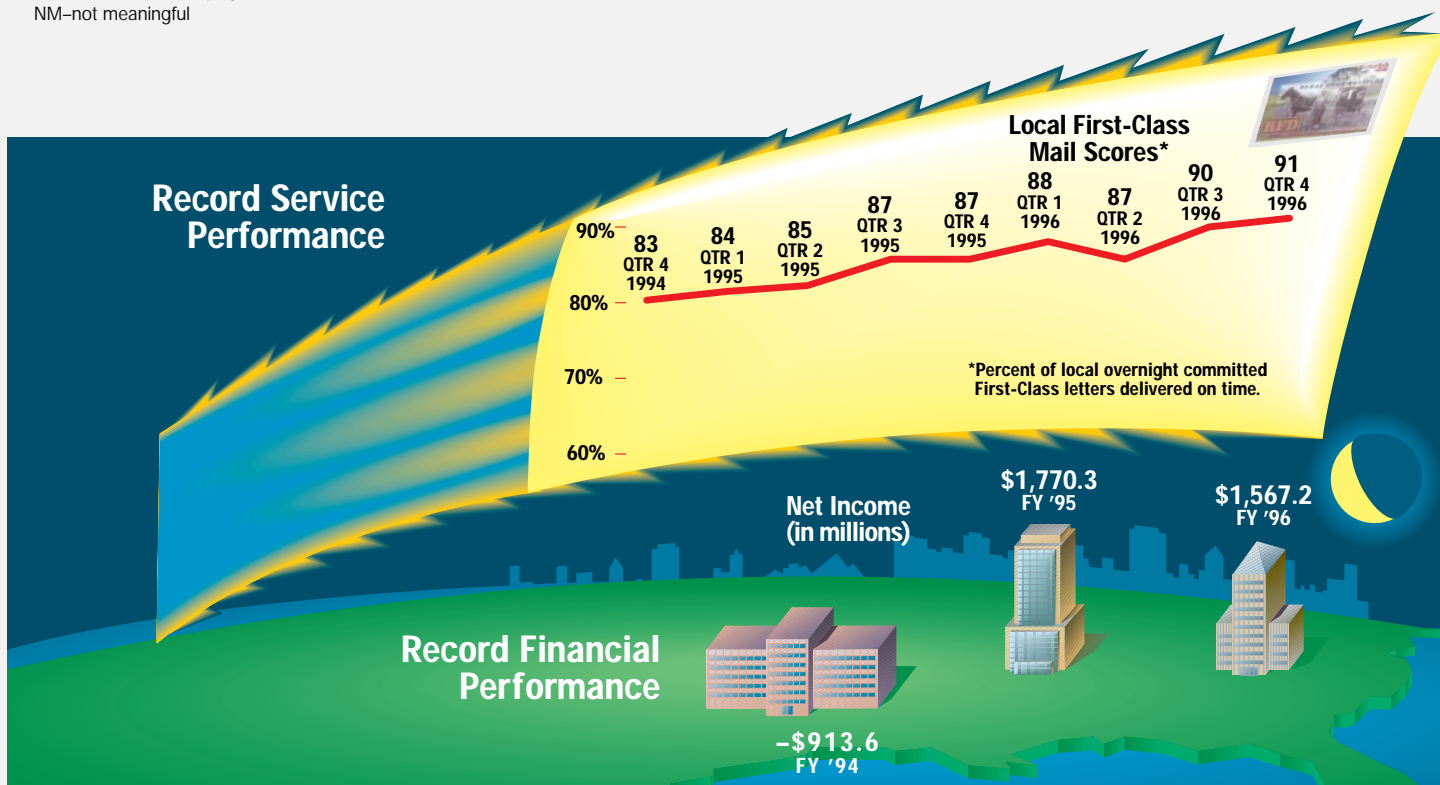
Contrary to popular belief, the United States Postal Service has no official motto, even though a number of postal buildings bear inscriptions. The most familiar is that which was first inscribed on the New York City General Post Office in 1914.

Neither snow nor rain nor heat nor gloom of night stays these couriers from the swift completion of their appointed rounds.

Financial Highlights

	Year ended Sept. 30, 1996 (in millions)	percent change	Year ended Sept. 30, 1995 (in millions)	percent change	Year ended Sept. 30, 1994 (in millions)
Operating revenue	\$ 56,402.0	3.9%	\$ 54,293.5	9.9%	\$ 49,383.4
Operating expenses	\$ 53,112.5	4.7%	\$ 50,730.2	4.7%	\$ 48,455.2
Operating income	\$ 3,289.5	-7.7%	\$ 3,563.3	NM	\$ 928.2
Operating margin	5.8%		6.6%		1.9%
Net interest expense	\$ 1,722.3	-3.9%	\$ 1,793.0	-2.6%	\$ 1,841.8
Net income (loss)	\$ 1,567.2	-11.5%	\$ 1,770.3	NM	(\$ 913.6)
Capital expenditures	\$ 2,295.9	27.3%	\$ 1,803.4	9.0%	\$ 1,654.7
Property, equipment and leasehold improvements (net)	\$ 17,857.9	5.9%	\$ 16,869.5	4.0%	\$ 16,219.9
Total debt	\$ 5,918.7	-18.7%	\$ 7,279.5	-19.0%	\$ 8,987.6
Total net capital deficiency	(\$ 2,623.5)	-37.4%	(\$ 4,191.0)	-29.7%	(\$ 5,961.5)
Number of career employees*	760,966	1.0%	753,384	3.4%	728,944
Pieces of mail	182,661	1.1%	180,734	1.5%	178,039

*actual number of employees
NM—not meaningful



Board of



The Postal Service Board of Governors is comparable to the board of directors of a publicly owned corporation. The Board meets monthly in Washington, DC, or other cities across the United States. The governors are (l-r, back row), S. David Fineman, Bert H. Mackie, Sam Winters, Einar V. Dyhrkopp, Ned R. McWherter and Robert F. Rider. And, (l-r, front row), LeGree S. Daniels, Tirso del Junco, M.D. and Susan E. Alvarado.

Governors



The nine governors are appointed by the president with the advice and consent of the Senate. They, in turn, select a Postmaster General, and those 10 select a Deputy Postmaster General, both of whom also serve on the Board. In addition, the governors appoint the Inspector General of the Postal Service for a seven-year term. This is a new position created by an Act of the 104th Congress in 1996.

The Board directs and controls expenditures of the Postal Service, reviews its practices, joins in long-range planning and sets policies on all postal matters. Much of these activities are coordinated through the various committees of the Board.

Tirso del Junco, M.D., Chairman

Appointed July 1988 and reappointed December 1991, term expires December 2000. Strategic Planning Committee; Surgeon and entrepreneur; Chairman Board of Regents, University of California.

Sam Winters, Vice Chairman

Appointed November 1991, term expires December 1999. Audit Committee; Member of Clark, Thomas & Winters law firm; Past Chairman of the American Bar Association's Section on Utilities, Communications and Transportation.

Susan E. Alvarado

Appointed July 1988, term expired December 1996. Representative to the National Postal Museum's Coordinating Committee; Partner, Alvarado & Gerken, a government relations consulting firm.

LeGree S. Daniels

Appointed August 1990, term expires December 1998. Audit Committee; Former U.S. Department of Education Assistant Secretary for Civil Rights; Member of Penn State University Board of Advisors, Harrisburg campus.

Einar V. Dyhrkopp

Appointed November 1993, term expires December 2001. Audit and Capital Projects Committees; President of Tecumseh International Corp.; Director of Illinois One Bank, NA, and Illinois One Bancorp.

S. David Fineman

Appointed May 1995, term expires December 2003. Compensation and Strategic Planning Committees; President, Fineman & Bach, P.C.; Member of the Industry Policy Advisory Committee, advising the U.S. Secretary of Commerce and U.S. Trade Representative on international trade policy issues.

Bert H. Mackie

Appointed December 1988, term expires December 1997. Compensation and Strategic Planning Committees; President, Security National Bank of Enid, OK; Board of Director member of ONEOK, Inc., a diversified energy company.

Ned R. McWherter

Appointed October 1995, term expires December 2002. Capital Projects and Compensation Committees; Former Governor of the State of Tennessee (1987-1995); Officer and/or Director of several companies and institutions.

Robert F. Rider

Appointed May 1995, term expires December 2004. Capital Projects Committee; Chairman and CEO of O.A. Newton & Son Co.; Trustee of the University of Delaware and the Wilmington Medical Center.

Also members of the Board of Governors:

Marvin Runyon

Appointed 70th Postmaster General of the United States in May 1992 by the Board of Governors. Former positions held include: Chairman, Tennessee Valley Authority; President and CEO of Nissan Motor Manufacturing Corp., U.S.A.; Vice President, Body and Assembly Operations, Ford Motor Co.

Michael S. Coughlin

Appointed Deputy Postmaster General of the United States in January 1987. Career Postal Service employee who has served in senior management positions in Finance, Operations and Human Resources.

Officers



Marvin Runyon
Postmaster General
and Chief Executive Officer

Michael S. Coughlin
Deputy Postmaster General

William J. Henderson
Chief Operating Officer
and Executive Vice President

David C. Bakke
Vice President, Area Operations
Southeast Area

Nicholas F. Barranca
Vice President
Operations Support

William J. Brown
Vice President, Area Operations
Midwest Area

James A. Cohen
Judicial Officer

William J. Dowling
Vice President
Engineering

Mary S. Elcano
Senior Vice President
and General Counsel

Patricia M. Gibert
Vice President
Retail

James F. Grubiak
Vice President
International Business

Robert F. Harris
Vice President
Diversity Development

Gene R. Howard
Vice President, Area Operations
Pacific Area

Kenneth J. Hunter
Chief Postal Inspector

Allen R. Kane
Chief Marketing Officer
and Senior Vice President

John F. Kelly
Vice President, Area Operations
New York Metro Area

Charles K. Kernan
Vice President, Area Operations
Southwest Area

Clarence E. Lewis
Vice President, Area Operations
Allegheny Area

Norman E. Lorentz
Vice President
Quality

Yvonne D. Maguire
Vice President and
Consumer Advocate

Joseph J. Mahon, Jr.
Vice President
Labor Relations

Henry A. Pankey
Vice President, Area Operations
Mid-Atlantic Area

M. Richard Porras
Vice President
Controller

Darrah C. Porter
Vice President
Strategic Initiatives

Robert A. F. Reisner
Vice President
Strategic Planning

Michael J. Riley
Chief Financial Officer
and Senior Vice President

Gail G. Sonnenberg
Vice President
Human Resources

Larry M. Speakes
Senior Vice President
Corporate and Legislative Affairs

Jon M. Steele
Vice President, Area Operations
Northeast Area

A. Keith Strange
Vice President
Purchasing and Materials

Rudolph K. Umscheid
Vice President
Facilities

Craig G. Wade
Vice President, Area Operations
Western Area

James C. Walton
Vice President
Workforce Planning
and Service Management

John H. Ward
Vice President
Marketing Systems

John R. Wargo
Vice President
Sales

J. T. Weeker
Vice President, Area Operations
Great Lakes Area

Richard D. Weirich
Vice President
Information Systems

Glossary

Accruals: Income and expenses that are recorded as they occur, even though they may not have actually been paid.

Airport Mail Center (AMC): A postal mail processing facility located at an airport.

Amortize: To reduce the value of an asset through regular charges to income over time; or to write off expenditures by prorating them over a period of time.

Appropriation: Public funds set aside by Congress for a specific purpose.

Associate Office Infrastructure: Program designed to provide a standardized information communications platform to support nationwide applications such as Point-of-Service ONE and Track and Trace.

Associate Supervisor Program: A 16-week training program designed to attract, select and train the best candidates for first-line supervisors.

Bar code: A series of vertical full bars and half bars representing the ZIP Code information printed on a mailpiece to facilitate automated processing by bar code reader equipment.

Board of Governors (BOG): As the governing body of the Postal Service, the Board is comparable to a board of directors of a private corporation. The Board includes nine

governors who are appointed by the president with the advice and consent of the Senate. The nine governors select a Postmaster General, who becomes a member of the Board, and those 10 select a Deputy Postmaster General, who also serves on the Board. The Board directs and controls the expenditures and reviews the practices and policies of the Postal Service.

Callable: Debt that the Postal Service as the borrower has the right to repurchase.

Capitalize: To treat an expenditure as an asset; or to compute the present value of a future payment that will be paid over a period of time.

Citizens' Stamp Advisory Committee (CSAC): A group of independent citizens appointed by the Postmaster General to review the more than 40,000 suggestions for stamp subjects the Postal Service receives each year.

Classification Reform: On July 1, 1996, the Postal Service adjusted the domestic mail classification system to establish a simple, more consistent rate structure and to keep its products in line with the changing needs of the marketplace.

Commemorative stamp: A stamp that honors anniversaries, important people, historic places or special events. Commemoratives are printed in limited quantities and sold for a limited time.

Contingent liability: Pending lawsuits, disputed claims, and any other estimated items that the Postal Service might have to pay in the future.

Corporate Automation Plan: A comprehensive strategy to achieve the goal of barcoding virtually all letter mail by 1998.

Corporate Call Management: National service centers accessible through a toll-free number that provide callers with postal information and services.

Corporate Training and Development (CTD): Located at postal headquarters in Washington, DC, CTD develops training courses and programs that provide employees with the knowledge, skills and tools necessary to achieve organizational goals.

Customer Initiated Payment System (CIPS): A hybrid bill payment alternative that will allow customers to trigger electronic payments by using prepaid business reply cards.

CustomerPerfect!: A quality process management system that builds customer satisfaction and excellence into every process and procedure of the Postal Service.

Definitive stamp: A regular-rate stamp issued in unlimited quantities that remains on sale for an indefinite period of time.

Delivery point bar code: A bar code representing the ultimate delivery point for which a mailpiece is destined; comprising the ZIP+4 code and, for regular residential mail, the last two digits of the household street address number.

Depreciate: To periodically reduce the estimated value of an asset over the course of its useful life.

Deputy Postmaster General (DPMG): A member of the Board of Governors, jointly appointed by the Postmaster General and the Board of Governors.

Economic Value Added (EVA): A measure of financial performance calculated by taking net operating income and subtracting a charge for the capital used to produce that income (EVA = net operating income - capital charge).

Electronic Commerce Services (ECS): An umbrella of services that would bring electronic mail up to the same level of acceptance that regular mail enjoys today. ECS includes a time and date stamp, return receipt, registered, certified, verification of sender and recipient, and archival services. Plans also call for creating public and private authentication keys to enable individuals to prove who they are when communicating on the Internet.

Electronic postmark: An electronic time and date stamp on electronic mail that will authenticate a document's existence at a particular point in time.

Equity: The difference between the value of all assets less all liabilities.

Express Mail: The Postal Service's premium delivery service, providing guaranteed overnight delivery for documents and packages weighing up to 70 pounds. Both domestic and international services are offered.

External First-Class Measurement System (EXFC): A test conducted by an independent accounting firm whereby First-Class Mail service is measured from the customer's perspective (from point of deposit to point of delivery or "door to door").

First-Class Mail: A class of mail including letters, postcards and postal cards, all matter wholly or partially in writing or typewriting, and all matter sealed or otherwise closed against inspection.

Fixed asset: Any tangible property such as buildings, machinery and equipment, furniture and leasehold improvements.

Generally Accepted Accounting Principles (GAAP): The rules and procedures of accepted accounting practice as defined by the Financial Accounting Standards Board.

Global Package Link (GPL): International package delivery service and state-of-the-art information system for volume mailers sending merchandise to participating overseas markets.

Global Priority Mail (GPM): A category of international mail that provides fast service at attractive rates to 27 countries.

Gross Domestic Product (GDP): The total market value of all the goods and services produced in one year in the United States.

International Business Unit (IBU): A strategic business unit of the Postal Service that focuses exclusively on the international market and is responsible for both household and commercial services. The IBU also is responsible for Army Post Office and Fleet Post Office services.

Leasehold: An asset that gives the Postal Service the right to use property under a lease.

Liability: Any debt or obligation the Postal Service is bound to pay.

Long-Life Vehicle (LLV): A van-like, right-hand-drive vehicle with an aluminum body used by letter carriers to transport and deliver mail. LLVs are designed to last 24 years.

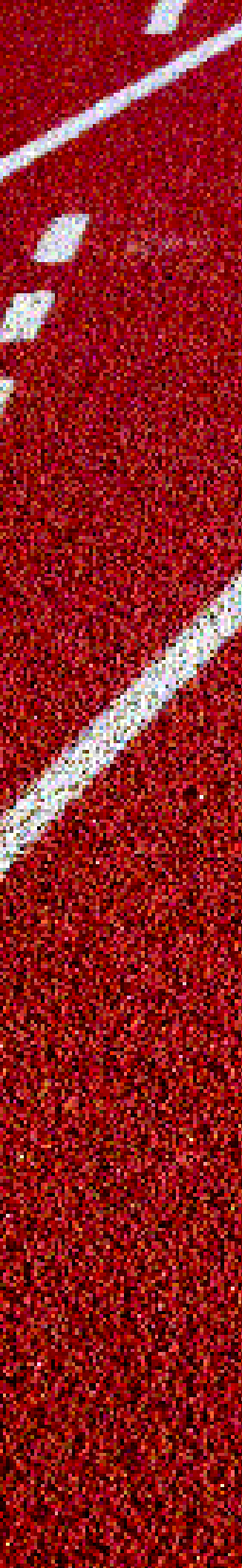
Marketable securities: Securities such as stocks, bonds or notes that can be easily sold.

Money Mover: A family of financial service offerings that will provide a range of retail services to transfer funds safely and quickly from one location to another.

Negative equity: The amount of money that the Postal Service does not have to settle all of its obligations if they were to come due immediately.

Optical Character Reader (OCR): An automated mail processing machine that optically scans letter mail, locates the address and translates the address information into a bar code representation of the ZIP+4 delivery point bar code.

Pack and Send: A pilot retail service offered at selected post offices that allows customers to bring in any mailable item to have it securely packaged and, if they wish, mailed.



Periodicals: A class of mail, formerly called second-class mail, that consists of magazines, newspapers and other publications.

Philately: The collection and study of postage stamps and other postal materials.

Point-of-Service ONE (POS ONE): An electronic retail sales device that assists employees with retail transactions and provides product inventory and sales information.

Postal Inspection Service: The investigative arm of the Postal Service responsible for internal audits and investigating criminal acts involving the mails and misuse of the postal system.

Postal Rate Commission (PRC): An independent federal agency that makes recommendations concerning Postal Service requests for changes in postal rates and mail classifications.

Postal Stores: A modernized Postal Service retail unit that has postal products on open display, offering customers self-service selection and full service counter assistance.

Postmark America: The Postal Service's first large-scale retail store, debuting at the Mall of America in Bloomington, MN, designed to test the market interest in postal-inspired clothing and other products.

Postmaster General (PMG): The chief executive officer of the Postal Service, appointed by and serving at the pleasure of the Board of Governors.

Post Office Express (POE): A postal retail unit located within an independent business to serve consumer needs related to merchandise and postal products and services.

Present value: The value today of a future payment that is discounted at a stated rate of compound interest. For example, the present value of \$100 that will be paid to the Postal Service 10 years from now is about \$38.55, if we discount that \$100 at a rate equal to 10 percent interest compounded annually.

Priority Mail: Priority Mail provides two- to three-day delivery service.

Processing and Distribution Center (P&DC): A large mail sorting and dispatching plant that serves as a hub for mail originating from post offices, collection boxes and customer mailboxes, and large-volume mailers in a designated service area.

Process Management: A systematic, data-based approach to improving the performance of business. It is an approach that identifies opportunities for improvement using proven problem-solving methods.

Receivable: Money that is owed to the Postal Service.

Recognize: To record in Postal Service accounts as income or expense.

Rural Free Delivery (RFD): Begun in 1896 as an experiment in West Virginia, RFD brought daily mail delivery to farmers and others living outside urban areas.

Standard Mail: New name for the merger of third-class mail and fourth-class mail as one class under Classification Reform implementation of July 1, 1996.

Straight-line depreciation: A method of depreciating a fixed asset other than land by dividing the asset's useful life into the total cost of the asset minus any value that it may have at the end of its useful life. The resulting amount is a uniform annual depreciation expense that is subtracted from income.

Technical Training Center (TTC): Located in Norman, OK, the TTC provides national training that supports the efficient operation of mail processing equipment, building systems and vehicles.

United States Postal Service (USPS): The successor to the Post Office Department, the USPS was established by the Postal Reorganization Act of July 1, 1971, as an independent, self-supporting federal agency within the executive branch.

Universal service: The Postal Service's mandate and commitment to the nation to provide mail delivery service at uniform and reasonable rates to everyone, everywhere, six days a week.

Year: As used in the financial section of this report, it means the Postal Service fiscal year, which is the 12-month period during which the Postal Service keeps accounts, beginning Oct. 1 and closing Sept. 30.

Zoning Improvement Plan (ZIP): Established in 1963, a system of five-digit codes or ZIP codes that identifies the individual post office or metropolitan area delivery station associated with every mailing address. This system was later expanded to ZIP+4, which includes more defined delivery areas.

Credits

1996 Annual Report Team:

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The Annual Report of the United States Postal Service is published by the United States Postal Service, Corporate Relations. The headquarters address is 475 L'Enfant Plaza, SW, Room 10431, Washington, DC, 20260-3100. An electronic version of the 1996 Annual Report of the United States Postal Service is available on the World Wide Web at: <http://www.usps.gov>.

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"Our Postal Service is an excellent example of a governmental function operating effectively and costing less. Our Postal Service today provides uniform, consistent, affordable service ... without taxpayer support. Nothing should be done to jeopardize its ability to provide universal mail service at affordable rates. However, the Postal Service's core business is being eroded through competition and advances in electronic communications. We should look for ways to make the Postal Service more flexible and competitive while preserving its ability to maintain universal service."

President Bill Clinton
October 7, 1996

Source: *Federal Times*